

DOCKET SECTION

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Docket No. R97-1

POSTAL RATE AND FEE CHANGES, 1997

UNITED STATES POSTAL SERVICE
INTERROGATORIES AND REQUESTS FOR PRODUCTION OF DOCUMENTS TO
THE OFFICE OF THE CONSUMER ADVOCATE WITNESS O'BANNON
(USPS/OCA-T200-1)

Pursuant to rules 25 and 26 of the Rules of Practice and Procedure and rule 2 of the Special Rules of Practice, the United States Postal Service directs the following interrogatories and requests for production of documents to the Office of the Consumer Advocate witness O'Bannon: USPS/OCA-T200-1.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


Eric P. Koetting

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

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January 7, 1998


Eric P. Koetting

USPS/OCA-T200-1. For any of the following subparts that you are unable to confirm, please explain fully.

a. Please confirm that the formulas presented on page 3 of your testimony are used by you to compute "own price" elasticities.

b. Please confirm that your testimony on pages 3-4 asserts that, when calculated on a cell-by-cell basis, only in the DBMC category does one find "positive implicit own price elasticities."

c. Please confirm that you state on page 4 (as well as on page 2) that the "positive implicit own price elasticities" you have computed for certain DBMC cells result from the method by which the Postal Service distributes its volume change estimates across the rate cells.

d. Please confirm that the forecasting methodology presented by Dr. Tolley in USPS-T-6 forecasts parcel post volumes only at the rate category level, and is independent of the method by which witness Mayes distributes volume change estimates across rate cells.

e. Please confirm that Table 1 on page 6 of Dr. Tolley's testimony, DBMC volumes are forecast at 136.937 million pieces in the test year before rates (TYBR) scenario, and at 137.938 million pieces in the test year after rates (TYAR) scenario.

f. Please confirm that, in computing his DBMC forecasts, Dr. Tolley was anticipating a rate increase for DBMC of approximately 1.7 percent (see pages 37 and 55 of Dr. Tolley's Workpaper 1, Data Used in Making Volume Forecasts).

g. Please confirm that, with TYAR DBMC volumes higher than TYBR volumes (as described above), despite TYAR DBMC rates that are higher than TYBR rates (as

described above), application of the formulas shown on page 3 of your testimony would suggest a "positive implicit own price elasticity" for the DBMC category as a whole.

h. Please confirm that such a computed "positive implicit own price elasticity" for the DBMC category as a whole, based directly on inputs from Dr. Tolley's forecasts, would have to be the result of something other than the method used by witness Mayes to distribute volume changes across rate cells.

i. Please confirm that among the factors that Dr. Tolley has identified which affect the volume of parcel post is the price of Priority Mail. (Please see USPS-T-6 at 154).

j. Please confirm that in forecasting his TYAR volumes for DBMC, Dr. Tolley has taken account of the cross-price effects of proposed changes in Priority Mail rates as well as the own-price effects of proposed changes in DBMC rates. (Please see A-24 - A-29 of USPS-T-6.)

k. Please explain exactly how you took account in your analysis of the cross-price effects of proposed changes in Priority Mail rates between TYBR and TYAR on DBMC volumes, and how such cross-price factors affect your conclusions regarding "implicit own price elasticities."